



California Public Employees' Retirement System
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Agenda Item 6b

April 12, 2011

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. **SUBJECT:** Annual Report of Discharge from Accountability for Uncollectible Debt
- II. **PROGRAM:** Retirement
- III. **RECOMMENDATION:** Information Only
- IV. **ANALYSIS:**

In October of 1994, and amended in October of 2000, the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) adopted a resolution and policy authorizing CalPERS to discharge uncollectible debts under the provisions of the California Constitution, Article XVI, Section 17 (see Attachment A). The policy directs the Fiscal Services Division to submit an annual report to the Finance Committee (Committee) detailing the number and dollar amount of all debts discharged during the year. This report covers the period from February 2010 to January 2011.

Furthermore, the policy statement requires Committee review and Board approval to discharge from accountability uncollectible debts greater than \$20,000 that do not involve statutes of limitation. This year, no discharge debts met the criteria for Board approval.

After all feasible alternatives for collecting a debt are exhausted, discharge from accountability approval is sought based on the tiered approval process as required in the policy statement:

- | | |
|--|---|
| 1. Less than \$10,000 and/or beyond the statutes of limitation | Approved by the Chief of the originating division |
| 2. Between \$10,000 and \$19,999 (but not beyond statutes of limitation) | Approved by the Assistant Executive Officer of the originating branch |
| 3. \$20,000 or more (but not beyond the statutes of Limitation) | Reviewed by the Committee and approved by the Board |

The Comparative Summary of Uncollectible Debts (Attachment B) details current year and two prior years of uncollectible debts, categorized by "Reason for Overpayment" and "Reason for Discharge."

The debts were the result of:

1) Payment Issued After Death	
Due to Late Reporting (15)	\$ 13,955
2) Calculation Adjustment (76)	779,440
3) Miscellaneous (3)	2,190
4) Negative Carriers (24)	4,302
5) Various - Less than \$500 (360)	<u>18,369</u>
 Total (478)	 \$ <u>818,257</u>

Accounts receivables are discharged for the reasons shown in Attachment B.

The majority of the items discharged relate to overpayments from calculation adjustments which are no longer collectible due to the statute of limitations. A continuous effort is being made in the contribution data clean-up workload to ensure that valid data is being used in benefit adjustments. It is anticipated that the continued data cleansing and the following benefit payment adjustments may ultimately result in more discharges from accountability.

In an effort to minimize the future number and amounts discharged from accountability, procedural changes and technological enhancements, where feasible, have been put into place to minimize or eliminate the source of some of the erroneous payments and debts created.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans, but is part of the regular and ongoing workload of the Benefit Services, Employer and Member Health Services, and Fiscal Services divisions.

VI. RESULTS/COSTS:

Approved for discharge from accountability were 478 uncollectible debts totaling \$818,257.

Members of the Finance Committee
April 12, 2011
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DAVE G. CORNEJO, Acting Division Chief
Fiscal Services Division

RUSSELL G. FONG
Acting Chief Financial Officer

Attachments